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GTE Service Corporation
1850 M Street, N.W., Suite 1200
Washington, DC 20036
202 463-5200

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SEP 14 1995

FEDERAL COMMUNICATIONS COMMISSION

September 14, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: *EX PARTE* MATERIALS RELATING TO CC DOCKET NO. 95-72

Dear Mr. Caton:

Pursuant to Section 1.1206 of the Commission's Rules, GTE is filing with the Secretary's office two copies of an *ex parte* letter relating to the above item that was submitted to Commission staff today.

Please call me at 463-5293 if you have any questions.

Sincerely,

Edwin J. Shimizu
Director-Regulatory Matters

Attachments

c: Jim Schlichting - 1919 M Street, NW - Room 544
Lisa Gelb - 1919 M Street, NW - Room 544
Claudia Pabo - 1919 M Street, NW - Room 544

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GTE Service Corporation
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Washington, DC 20036
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September 14, 1995

Ms. Lisa Gelb
Policy and Program Planning Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 544
Washington, D.C. 20554

RE: CC DOCKET NO. 95-72 — EUCL CHARGES FOR ISDN

Dear Ms. Gelb:

In response to your informal request for cost data to determine End User Common Line (EUCL) charges for Integrated Services Digital Network (ISDN) similar to that submitted by US West in their August 4, 1995, *ex parte* materials, GTE is advising that we will not provide such data for the following reasons:

1. **Development of a "cost ratio" is an exercise in futility** — The amount of the EUCL and the amount of common line loop costs to be recovered by the EUCL and the CCL (25%) are arbitrary amounts, determined as a public policy decision. Since neither the EUCL nor the costs to be recovered are related to actual costs of providing any service, developing a cost ratio for only ISDN services would not add any precision to ISDN loop cost recovery and would yield no benefits.
2. **Development of a "cost ratio" is a waste of LEC resources** — GTE would have to revise mechanized systems and procedures to incorporate the new level of detail that would be required to compute a cost ratio. Such complexity would be at odds with years of Joint Board and industry efforts toward separations simplification. Moreover, GTE would not be able to derive each of the items in the US West approach. For example, we have no detailed cost data available in any mechanized system for the service drop. GTE also would be unable to differentiate between the costs for a number of individual service components, such as PBX trunk loops and residence single line loops. Therefore, each time the cost ratio required updating, GTE would have to perform a number of special studies to allocate costs.

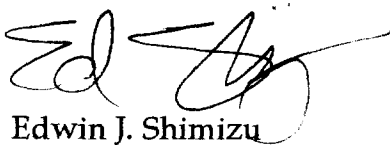
3. **The proposed "cost ratio" computation is overly inclusive** — The EUCL is intended to recover only loop costs, not switch line card, multiplexer, or other components needed to provide single or multi-channel services. Thus, there is no rationale for including investments other than loop costs in any cost ratio computation. (*See Comments of Time Warner at 5.*)
4. **ISDN does not change loop costs to any appreciable degree** — There is no substantial difference between ISDN loops and ordinary telephone loops. There is no reason, therefore, to treat the EUCL for ISDN facilities any differently from other facilities. (*See Comments of MCI at 3.*)

The bottom line is that development of a cost ratio would consume valuable resources and inject yet another level of arbitrariness into the recovery of common line costs. This would harm consumers through price increases for ISDN services and create a competitive disadvantage for LECs.

Since the amount of the EUCL and the amount of loop costs to be recovered by the EUCL are determined through consensus political decisions, it makes little sense to calculate precisely a cost ratio to determine a EUCL for ISDN services. A more reasonable and simpler approach would be to charge the EUCL rate on the basis of one per facility, and not on the basis of a cost ratio. Otherwise, it would be analogous to using a micrometer to mark a cut for a hatchet.

Please call me at 463-5293 if you have any questions.

Sincerely,



Edwin J. Shimizu
Director-Regulatory Matters

c: Jim Schlichting - Room 544
Claudia Pabo - Room 544